IN THE

Supreme Court of the United States

OCTOBER TERM, A. D. 1907.

No. 106.

JAMES W. DONNELL,
Petitioner,
vs.
HERRING-HALL-MARVIN SAFE COMPANY AND HALL SAFE AND LOCK COMPANY,
Respondents.

Certiorari to Circuit Court of Appeals, Seventh Circuit.

SUPPLEMENTAL BRIEF FOR PETITIONER.

In a brief already filed we have endeavored to show that this case is one, upon its facts, for the application of the rule, "that in the absence of contract, fraud or estoppel, any man may use his own name in all legitimate ways and as the whole or a part of a corporate name." At the time the brief was written, the discussion of this rule did not seem to call for any extended comment upon the proposition, suggested by the last line of the quotation, that the right of an individual to use his name as the whole or a part of a corporate title is just as full and complete as the right to employ his name in a business carried on by him as an individual; but an intimation in the brief of respon-

dent of an intention to rely upon the case of *Chas. S. Higgins Co.* v. *Higgins Soap Co.*, 144 N. Y. 462, where a rule seemingly opposed to the above proposition is laid down, leads us to believe that a somewhat fuller discussion of this question may be not wholly superfluous.

The facts of that case are briefly these: Charles S. Higgins, for many years a manufacturer of soaps, sold his business to complainant and, as part of the agreement of sale, entered into a contract not to engage in the soap business as long as he should remain in the employ of complainant. A few months after the sale he left the complainant and organized the defendant corporation, and a bill was brought to restrain the use of his name by the defendant. It seems to have been assumed that Higgins had the right to use his name in an individual soap business or in a partnership organized to carry on that trade; but it was contended, and the court sustained the contention, that the defendant corporation organized by Higgins had no right to use his name in its corporate title.

Applying the rule for which this case seems to stand to the facts of the case at bar, the contention of the respondent would be, that, granting the right of the Halls, after leaving the employ of the Herring-Hall-Marvin Company, to engage in the manufacture and sale of safes, by way of a partnership or individually, and to use their names freely in connection with such business, they had no right to organize a corporation to carry on the safe business whose corporate name should contain their name, no matter what their interest in that corporation might be; that a corporation thus named and organized stands in the position of a

third person who has arbitrarily selected and appropriated to his own use the trade name of the respondent.

An analysis of the reasoning of the court in the Higgins case is disappointing. Little is urged in support of the rather startling distinction which the court finally sustains, save that a corporation, being a distinct entity, cannot exercise the rights which may belong to its incorporators, and the further fact that as a corporation is free to choose its name there is no necessity for its appropriation of a personal cognomen. This latter argument, merely suggested in Higgins v. Higgins, has come to be the main reliance of those few courts which have followed the doctrine of that case. Indeed, it would seem to be a fair statement of the authorities to say, that this whole distinction between the right to use a name in a personal and in a corporate business is based upon the idea that no necessity exists for the selection of personal names by corporations. The argument may assume various forms but in substance it is always the same.

The contention that because a corporation is free to choose its name, therefore the individuals composing the corporation have no right to use their names as part of its corporate title is, it is submitted, a most inconclusive argument upon which to base such a serious restriction upon the use of personal names in business. Necessity is not the test by which we determine the existence of a man's fundamental rights. It is indeed a novel proposition, that we should first look to see how badly a man needs to use his name in a particular case before we can determine his right to do so. Moreover, it is not absolutely necessary

that a person should use his own name in his private business, he might adopt a fictitious designation; but because necessity does not compel its use, the right to so employ his family name is none the less firmly established. No case has been found which would deny the right of the Halls to use their name in a partnership; yet in no possible way can the use of the name in a partnership be distinguished from its use in a corporation upon the ground of the necessity for the use, for in both cases the names are often selected and artificial. The fundamental unsoundness of the proposition—that a right to the use of a trade name rests in any degree upon necessity—has been pointed out by courts of great authority. The learned Chief Justice, in the case of *Howe Scale Company* v. *Wycoff*, et al., 198 U. S. 118, a decision to which we shall have occasion hereafter to refer in this discussion, disposes of this argument very effectually. At page 136 he says:

"It is said that the use of the word 'Remington' in the name 'Remington-Sholes' (the corporate name) was unnecessary, as if necessity were the absolute test of the right to use; but a person is not obliged to abandon the use of his name or to unreasonably restrict it. The question is, whether his use is reasonable and honest or is calculated to deceive."

The burden of establishing this distinction between the use of a name in a corporate title and its use in a personal business should rest upon those who contend that such a distinction exists; for certainly the statement of the rule, which is nowhere disputed, that a man may make any honest use of his name in his business, leads to the strong presumption that the right extends equally to an individual

business, a partnership or a corporation of which he is a member, since any of the three may, in a popular sense at least, be spoken of as his business. No tenable reason can be advanced to overthrow this presumption upon the distinction suggested.

There is a further intimation, however, in the Higgins case that should have some consideration. It is—that the organization of a corporation to adopt the name, which it is conceded Higgins could have used in his individual business, lends to that use of the name a color of fraud. Such suggestion has no foundation in business experience. It is a perfectly normal thing for a man to wish to take advantage of his name in the business which he contemplates founding, and at the same time to enjoy the benefits of conducting that business as a corporation. He may need wide financial assistance, the skill of others willing to incorporate with him; how then is it improper for him to combine these advantages, and what reason can be suggested for compelling him to choose between the use of his family name and the benefits of incorporation? In the *Amercan Cereal Co.* v. *Eli Pettijohn Cereal Co.*, 72 Fed. Rep. 903, the use of the name Eli Pettijohn in the defendant's corporate title was objected to, although it did not appear that the right of Eli Pettijohn to use his name in an individual business was much questioned, and the court said, page 906, meeting the suggestion that the adoption of a personal name by a competing corporation smacks of fraud:

"It can hardly be contended that he (Pettijohn) had not the right to make, or rather to continue making, rolled

wheat, and to market the same in packages bearing his name, in any part of the United States. It would seem to follow, also, that he might secure the co-operation of others willing to assist him financially in the business, and that he might, with such co-operation, form a corporation for the purpose of carrying on such business."

Indeed, the custom may be said to be general to employ personal names in the titles of corporations, and no improper inferences can be drawn from the fact that the Halls chose the form of a corporation to carry on their business rather than that of a patnership or some other kind of association, provided that business was such as they had a right to carry on and in their own names.

The truth is, that a corporation in which a man has invested his capital and to which he has devoted his time and energy is as much his business, as far as his personal interest and the lawful use of his business rights are concerned, as an enterprise more literally and technically personal.

In *Monarch* v. *Rosenfeld*, 19 Ky. L. Rep. 14, the court was called upon to decide whether the defendant Monarch had violated a former decree of the court, which provided that he might use his name on goods of his own manufacture or of the firm to which he belonged, it appearing that since the decree, Monarch had become an officer and stockholder in a corporation, to whose products he was attaching his name. The question was squarely presented, whether Monarch's interest as a stockholder was sufficient to justify the use of his name in the corporate title. The court said:

"Now it is argued that the court by this judgment limits

S. I. Monarch to the use of his name in business alone or as a partner, but, as a stockholder in a corporation, he cannot use his name in the corporate business; its property is in no sense his property, its business is not his. . . I do not doubt but that in certain kinds of corporations a stockholder can authorize the corporation to use his name, and for some purpose its business is his business. It is known to all—the knowledge is so universal that I think the court can take notice of it—that in these days the practice and custom has grown up among business men that when two or three associate themselves together for the purpose of engaging in any trade or business of any magnitude, instead of forming a partnership to conduct and carry on said business, they form a corporation; invest in it all of their capital, give it all their time and attention. In reality it is their business. But for fiction of law, such an association would be a partnership. If the court of appeals meant to say that S. I. Monarch could not use his name in such a corporation, he has, after all, but a limited right to use his name in business. I do not think such is the meaning of the court."

Finally, it must be borne in mind that the use of a trade name is only wrongful in so far as it results in unfair competition and is a virtual fraud upon competitors using the same or a similar name; and no rule which declares that the use of a name in an individual business is lawful, but as part of a corporate title is unlawful, can be sound, unless it is based upon some appreciable distinction in the hardship which will be worked upon trade competitors in the two classes of use. Such a difference cannot be shown. What does it matter to those who are objecting to the use of a trade name that it is being used by a corporation, a partnership or an individual? The name may sound the

same, may have the same financial backing, may do the same damage in all three cases.

How are respondents injured by the fact that the Hall Safe Company is a corporation rather than a partnership of the same name or a mere association of individuals with no formal organization? The damage, if any, that results, will come from the use of the name without respect to the nature of the organization employing it.

This fatal weakness in the rule laid down by the Higgins case has been pointed out by most of the courts that have had occasion to pass upon the question. So in *Monarch* v. *Rosenfeld, supra,* the court said:

"It is conceded that he (Monarch) can, in good faith, form a partnership with Rosenfeld and Hirsh in the whiskey business, and the firm might use his name. If the firm can, in the light of the opinion, there is no reason why his name cannot be used in the corporation. . . . . The plaintiff can be injured no more in his business by the corporation than he can by such a firm."

Again in *Baker* v. *Baker,* 115 Fed. Rep. 297, where the complainant sought to restrain The William H. Baker, Syracuse, N. Y., corporation from using the name of Baker, which had become identified with complainant's goods, the court took notice of the fact that William H. Baker had organized a corporation to carry on his business and had given it his name, and said (page 300):

"For reasons of convenience, the owner concluded to reorganize the concern as a corporation, and desiring to preserve the good will, he chose the name with which the good will was identified. He intended to remain the owner of the concern, and has remained its owner, as before. As regards the complainant, it is wholly immaterial whether

the business is conducted as that of a corporation, or that of an individual, by the same description."

A further discussion of this question seems superfluous in view of the recent decision of this Court in *Howe Scale Co.* v. *Wyckoff* et al., *supra.*

In that case the complainants urged upon the court the affirmative of the very proposition which we have been discussing—that the right of an individual to use his name in business does not extend to a corporation in which he is a stockholder. The elaborate briefs of counsel were devoted in large part to the argument of this question and the citation of authorities was exhaustive.. The case of *Higgins Co.* v. *Higgins Co.* was called to the attention of this Court no less than eight times in the printed argument of complainants. With the issue thus squarely before them, the Court declared in unqualified terms against the rule of the Higgins case; and speaking through the Chief Justice said:

"This (the decree in the court below) denies the right to use the personal name rather than aims to correct an abuse of that right, and involves the assertion of the proposition that the use of the family name by a corporation stands on a different footing from its use by individuals or firms. But if every man has the right to use his name reasonably and honestly in every way, we cannot perceive any practical distinction between the use of the name in a firm and its use in a corporation. It is dishonesty in the use that is condemned, whether in a partnership or a corporate name, and not the use itself."

Again at the close of the opinion:

"We hold that in the absence of contract, fraud or estoppel, any man may use his own name in all legitimate ways and as a whole or a part of a corporate name."

This clear and authoritative statement of the law must, it is submitted, be conclusive of the question raised in the case at bar, disposing completely of the suggestion that there is any difference between the Halls' right to use their name in a corporate and in an individual business.

To be sure in one important respect the facts of the two cases differ. In the Howe case there had been no sale, no business dealings between respondent and complainants, such as took place between the Hall Safe & Lock Company and the respondent's predecessor; but this difference, although it may be important in other respects, cannot effect the question of the Halls' right to use their names in a corporate title as distinguished from a private business. Matters of contract affect the right to use the name Hall in any capacity, public or private, but limit the right in one class of cases no more than in the other.

Fite v. *Dorman,* et al. (Tenn. 1900), 57 S. W. Rep. 129, might be noted as a case in which there had been a sale of the business by the respondent to the complainant, and yet the same decision was reached as in *Howe Scale Company* v. *Wyckoff* as to the use of the respondent's name in the corporate title. A further citation of authorities is not deemed of value.

Some mention might be made, in closing, of the authorities cited in respondent's brief in support of the contention upon which counsel seem principally to rely in this case—that the Halls are to be treated as if they had actually been parties to the sale of the business and good will of the Hall Safe & Lock Company to respondent's predecessor. To reach this result, the respondent seeks to maintain that

this is one of those cases in which the fiction of corporate entity will be disregarded, and to this point the authorities cited are directed. They do not, it is submitted, sustain the proposition as applied to the facts of this case. They are cases where the corporation or stockholders, as the case may be, are seeking to escape liability for some fraudulent or illegal act by setting up the shield of corporate entity. Thus in *State* v. *Standard Oil Co.*, 49 Ohio St. 137, the stockholders had taken part in a proceeding that would clearly be *ultra vires* of the corporation and on *quo warranto* to forfeit the charter the corporation was not allowed to plead that the act of the stockholders was not its act. In the Northern Securities Case, 193 U. S. 197, the various corporations were held to be bound by the acts of their several stockholders in transferring their stock to the Northern Securities Company for the purpose of forming an illegal combination. These are typical of the cases cited, and the rule which they lay down is that in equity, and sometimes even in proceedings at law, a court will look behind the corporation, when it becomes necessary to prevent a transaction clearly fraudulent or illegal from being carried out or to enforce an agreement where fraud would result from its non-enforcement.

What application has such a principle to the case at bar? Here is a contract entered into by a corportion. No fraud attended its making or its subsequent performance. It will not do to say that the use of the Halls' name by the Hall Safe Company of Ohio will be a fraud upon respondent and therefore will justify the application of the rule laid down by the above cases; for to say that it is a fraud for

the Halls to so use their name assumes the very point at issue, namely, that there is some contract by which they agree not to use their name.

The truth is, that the authorities relied upon by respondent are, as the learned Court has so well said in the case of Hall Safe Company v. Herring-Hall-Marvin Safe Company in the Sixth Circuit, "all cases where for special purposes and in special circumstances the Court held that it was competent and proper to regard the rights and duties of stockholders in corporations." None of the "special circumstances" are shown to be present in this case, for there is no illegal or fraudulent transaction upon which to predicate the court's interference.

We may be pardoned for again calling attention to the fact that the Hall Safe & Lock Company did not purport, nor had it any right, to sell the use of its stockholders' names, nor their right as individuals to engage in the business of making and selling safes; such rights were purely personal, and over them the corporation had no control whatever. Moreover, there is nothing to show that any of the stockholders expected to part with the right thus to trade and to use their names when the corporation sold out, except *sub modo* and to the extent of their individual engagements in their personal contracts, and these contracts with the Halls clearly indicate that the purchaser of the corporation's rights did not understand that these gentlemen, by the contract made by their corporation, in any way limited their rights, as individuals, to carry on the business to which they had devoted their lives. .To impose such a limitation upon their rights in this regard, was the plain

object of the restrictive covenants contained in their several contracts. With the full and exact performance of these covenants respondent must be content. It is entitled to the "due and forfeit" of its bond but to nothing more; such restrictive covenants are to be strictly construed and cannot be enlarged nor extended to cover that which does not fall within their plain prescription.

Respectfully submitted,

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